

Riding Through Global Volatility

By Craig T. CALLAHAN, DBA
 Founder & President, ICON Advisers, Inc.

In May, stock markets around the world dropped approximately 10% to 15% from their highs in late April. Much of the current anxiety surrounding the global markets centers around Europe. Many contend the debt problems of a few relatively tiny countries in terms of global GDPs, including Portugal, Ireland, Greece, and Spain will disrupt the general European economic recovery. Their argument – notably that the questionable viability of a handful of small European economies will facilitate a global collapse, or, at minimum, impede a collective economic recovery – requires a huge leap of logic and makes little sense to us.

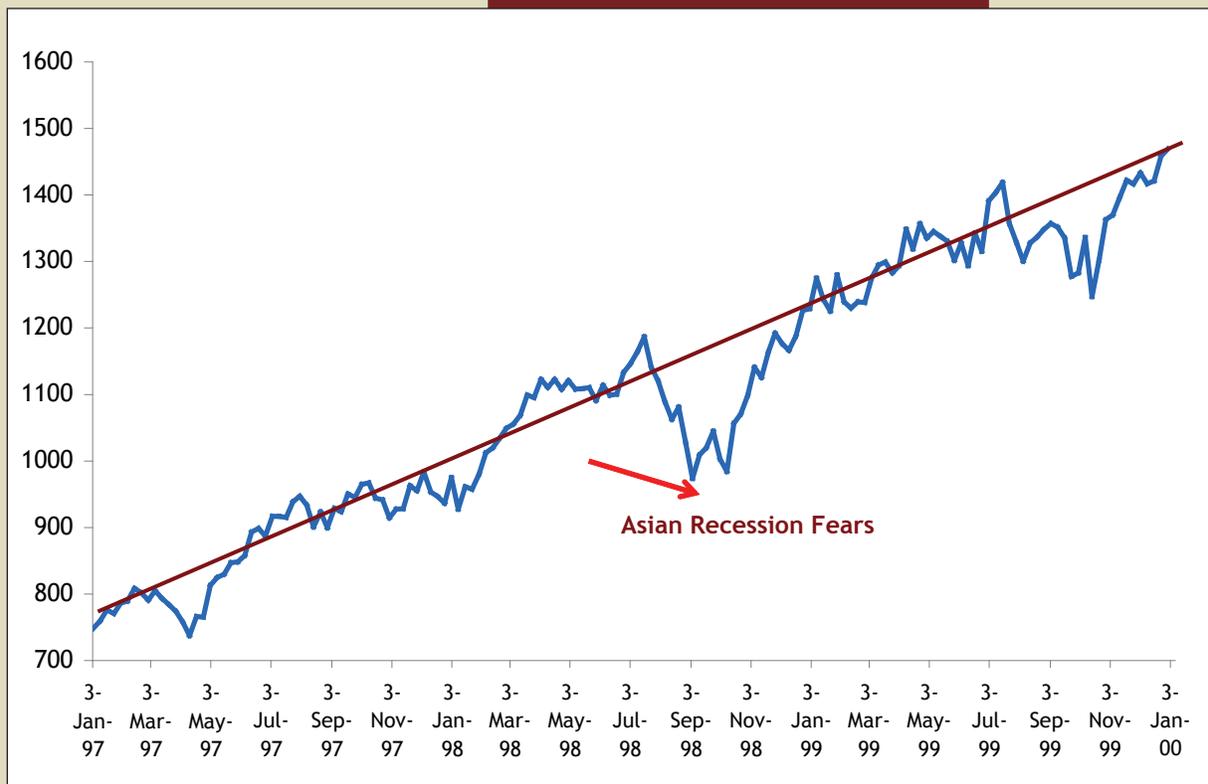
But we have been here at least once before – and investors' worst fears never materialized.

In 1998, economies in Asia were slow and fears grew that a recession in Asia would spread to Europe and then to the U.S. That argument gathered strength and was subsequently em-

braced by investors. Over a six-week period – from July 17, 1998 through August 31, 1998 – the S&P 500 Index dropped 19.3%. Investors must have eaten some bad sushi, because their worst fears were never realized and the market snapped back. As seen in the graph below, the “Asian Contagion” fear (so labeled by the media) was unwarranted, but it was nonetheless so real to investors that stocks took a misguided detour.

The graph suggests that as investor fear over Asia abated, and as investors recognized their concerns over a global recession were misplaced, the market resumed its regular path. We believe the events of 1998 provide us with important lessons for handling the market today. The argument for international economic contagion is just as powerful today as it was in 1998, and, in our opinion, just as wrong. We believe the U.S. economy is too big to be severely influenced by any single overseas event. Our economy has momentum based on the extremely rapid growth in the money supply and the 5.6% GDP burst in Q-4 2009. It's on its own, pre-determined path.

S&P 1500 INDEX (1997 - 1999)



Past performance does not guarantee future results. Source: Bloomberg

A May 27, 2010 survey of economists on Bloomberg reveals no downward revision for U.S. or Euro block GDP as a result of recent events. The Euro outlook is about the same as predicted back in December 2009, while the U.S. GDP outlook has been revised upward since December. Investors are reacting, but economists are not.

When stock prices are driven by investor fears market moves can be unpredictable. We believe it is best to ride through the short-term gyrations as long as stocks are priced below

our estimate of intrinsic value. In 1998, the sharp decline lasted six weeks and then bounced another few weeks before rebounding and resuming its previous path. This time the market has dropped for about five weeks. We think the market is reacting to fears that will eventually be proven wrong despite their powerful appeal. While the market's path over the next few weeks is unpredictable, in time we expect the market advance of the last 14 months to resume. For the time being, it appears the market has eaten a bad batch of baklava and Irish stew. ☺

The performance data shown represents past performance and current performance may be higher or lower. Past performance does not guarantee future results.

Opinions and forecasts regarding sectors, industries, companies, countries and/or themes, and portfolio composition and holdings, are all subject to change at any time, based on market and other conditions, and should not be construed as a recommendation of any specific sector, region, industry or security. An investment concentrated in sectors, regions and industries may involve greater risk and volatility than a more diversified investment.

Investing in securities involves inherent risks, including the risk that you can lose the value of your investment. There is no assurance that the investment process will consistently lead to successful results.

Investments in international securities may entail unique risks, including political, market, regulatory and currency risks. Financial statements of foreign companies are governed by different accounting, auditing, and financial standards than U.S. companies and may be less transparent and uniform than in the United States. Many corporate governance standards, which help ensure the integrity of public information in the United States, do not exist in foreign countries. In general, there is less governmental supervision of foreign stock exchanges and securities brokers and issuers.

ICON's value-based investing model is an analytical, quantitative approach to investing that employs various factors, including projected earnings growth estimates and bond yields, in an effort to determine whether securities are over- or underpriced relative to ICON's estimates of their intrinsic value.

ICON's value approach involves forward-looking statements and assumptions based on judgments and projections that are neither predictive nor guarantees of future results. Value readings are contingent on several variables including, without limitation, earnings, growth estimates, interest rates and overall market conditions. Although valuation readings serve as guidelines for our investment decisions, we retain the discretion to buy and sell securities that fall beyond these guidelines as needed. Value investing involves risks and uncertainties and does not guarantee better performance or lower costs than other investment methodologies.

Gross Domestic Product (GDP) is the total value of goods and services produced in the national economy in a given year. It is the primary indicator of economic growth.

ICON Advisers, Inc. serves as the investment adviser to the ICON Funds. ICON Distributors is the distributor of the ICON Funds. ICON Distributors is an affiliate of ICON Advisers.

Please visit ICON online at www.iconadvisers.com or call 1-800-828-4881 for the most recent copy of ICON's Form ADV, Part II.

Consider the investment objectives, risks, charges, expenses, and share classes of each ICON Fund carefully before investing. The prospectus, summary prospectus, and the statement of additional information contain this and other information about the Funds and are available by visiting www.iconadvisers.com or calling 1-800-828-4881. Please read the prospectus, summary prospectus, and the statement of additional information carefully before investing.

ICON DistributorsSM, distributor



5299 DTC BLVD, 12th Floor Greenwood Village, CO 80111

1-800-828-4881

www.iconadvisers.com

ICON DistributorsSM
© 2010 ICON AdvisersSM

GLB_VOL (6/4/10)